



# **Influence of Managed Money on Agricultural Commodities**

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## **Under the Influence.. Of Money**

- Market heavily influenced by managed/spec money
- Massive flow of managed money into commodities since 2002
- Fundamental influence greatly diminished



**Hedge**

**Index**

**Traditional**

*Types of  
Commodity  
Funds*





## Traditional Funds

First surfaced  
during mid 80's

Estimated  
invested funds  
around \$185 bln

Largely technical,  
tend to move  
together

Reported as Non  
Commercial on  
CFTC report



## Index funds are

- Large pools of money, track index such as CRB or GSCI
- Computer managed
- Based on monthly closing prices of fixed weight portfolio
- Invested funds at the end of 2006 estimated at \$180 bln dlrs, 10-15 bln in 2002



## Characteristics of Index funds

- Based on basket of commodities
- Always long
- Often re-balanced
- Re-weighted 1-2 times per year



## Reuters-CRB Index

- Crude oil, Heating oil, Natural Gas (17.6%)
- Corn, Soybeans, Wheat (17.6%)
- Copper, Cotton (11.8%)
- Live Cattle, Lean Hogs (11.8%)
- Gold, Platinum, Silver (17.6%)
- Cocoa, Coffee, Orange Juice, Sugar (23.5%)





## GSCI Components and Dollar Weights as of Feb 22<sup>nd</sup>

<b>Energy</b>	<b>68.21</b>	<b>Industrial Metals</b>	<b>10.74</b>	<b>Precious Metals</b>	<b>2.53</b>	<b>Agriculture</b>	<b>13.46</b>	<b>Livestock</b>	<b>5.06</b>
Crude oil	33.86	Aluminum	3.60	Gold	2.20	Wheat	3.07	Live Cattle	2.90
Brent Crude Oil	13.95	Copper	3.61	Silver	0.33	Red Wheat	1.11	Feeder Cattle	0.60
RBOB Gas	1.36	Lead	0.48			Corn	4.18	Lean Hogs	1.55
Heating Oil	5.53	Nickel	1.79			Soybeans	1.98		
Gas Oil	4.75	Zinc	1.26			Cotton	0.87		
Natural Gas	8.76					Sugar	1.28		
						Coffee	0.76		
						Cocoa	0.22		

Source: [www2.goldmansachs.com/gsci/](http://www2.goldmansachs.com/gsci/)





## Major Players

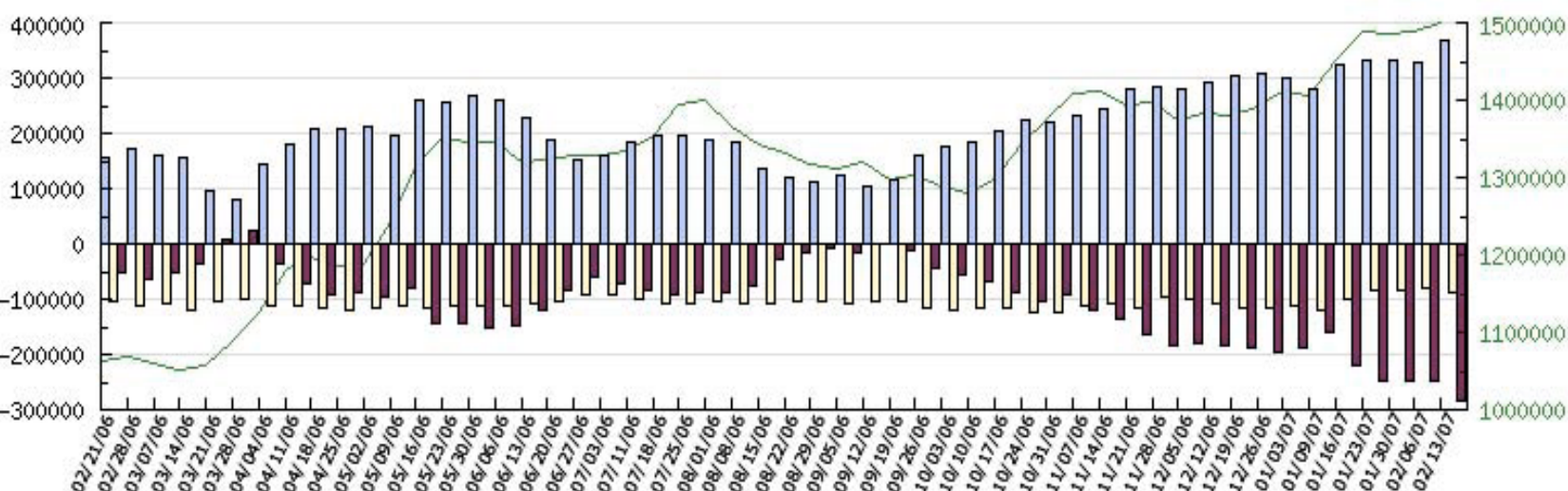
- **Goldman Sacks Commodity Index** – Estimated investment \$110 bln dollars. Assets placed at years end and Feb.
- **AIG Index Fund** - \$15-20 bln dollars. New monies invested during the 2<sup>nd</sup> week of Jan.
- **PIMCO Commodity Fund** - \$10-15 bln dollars. New allocations - end of the year and end of each quarter.



Cash prices by Commodity Systems Inc.



Volume



----- Weekly Price -----				--- Large Speculators ---				----- Commercial -----				-- Small Speculators --				Open
Open	High	Low	Close	#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest	
377.40	428.20	377.40	414.40	01/16/07	519	398,189	75,338	84%	582	657,780	879,482	43%	173,870	275,019	39%	1,450,684
420.20	431.20	413.20	421.20	01/23/07	533	409,616	76,460	84%	596	672,784	921,900	42%	185,182	269,222	41%	1,487,437
414.20	421.20	409.40	418.20	01/30/07	544	402,322	70,237	85%	584	662,744	912,259	42%	193,790	276,360	41%	1,485,266
418.60	423.00	409.40	411.60	02/06/07	570	407,330	80,353	84%	590	660,308	907,034	42%	193,460	273,711	41%	1,488,786
412.20	427.60	406.40	427.20	02/13/07	591	445,419	75,871	85%	602	643,181	926,263	41%	192,429	278,895	41%	1,499,458



----- Weekly Price -----					--- Large Speculators ---				----- Commercial -----				-- Small Speculators --			Open
Open	High	Low	Close		#	Long	Short	Bullish	#	Long	Short	Bullish	Long	Short	Bullish	Intrest
683.60	737.40	682.20	724.40	01/16/07	314	114,828	42,095	73%	224	180,928	229,381	44%	57,460	81,740	41%	416,414
729.20	745.20	728.00	744.60	01/23/07	313	129,173	41,205	76%	233	179,818	242,292	43%	57,720	83,214	41%	430,593
737.20	741.20	724.40	740.40	01/30/07	321	128,492	36,451	78%	226	181,540	249,565	42%	60,906	84,922	42%	441,976
740.40	767.60	737.40	760.40	02/06/07	347	143,740	36,050	80%	237	185,742	266,713	41%	63,031	89,750	41%	461,503
761.20	778.60	757.60	778.20	02/13/07	368	146,228	43,064	77%	250	188,052	264,309	42%	66,645	93,552	42%	475,776